

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 ARA-06 L-01 NSC-05 NSCE-00 INR-07

CIAE-00 DODE-00 SP-02 PRS-01 RSC-01 /041 W

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P 281805Z DEC 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 3326

C O N F I D E N T I A L SECTION 1 OF 2 LIMA 10901

LIMDIS

E.O. 11652: N/A

TAGS: EAIR, PE

SUBJECT: CIVAIR-US/PERU CONSULTATIONS

REF: STATE 280999

1. AS WE UNDERSTAND SUGGESTED NEGOTIATING POSITION, US SIDE WOULD INITIALLY ADVANCE PROPOSAL OUTLINED IN PARAGRAPH 8 REFTEL. IF THIS PROVES UNACCEPTABLE, WE WOULD PROPOSE EITHER PRESERVING STATUS QUO FOR SOME PERIOD OF TIME OR FURTHER AIRLINE TALKS. FINALLY, IF ALL ELSE FAILS, US WOULD PROPOSE THAT BRANIFF AND AEROPERU BE GIVEN 90 DAYS TO SUSPEND ALL SERVICE BETWEEN TWO COUNTRIES. THIS FINAL POSITION MIGHT BE INTIMATED TO GOP AT EARLY STAGE IN CONSULTATIONS TO TEST GOP POSITION FOR ANY SIGN OF FLEXIBILITY.

2. EMBASSY AGREES WITH FOREGOING STRATEGY, INCLUDING POSSIBLE SUSPENSION OF SERVICES, RECOGNIZING HOWEVER, THAT IF WE ARE FORCED TO RESORT TO SUSPENSION THIS STEP COULD HAVE CONSEQUENCES FOR RELATIONS BETWEEN TWO COUNTRIES THAT WILL TRANSCEND CIVIL AVIATION. IN REACHING THIS DECISION, WE WEIGHED FOLLOWING CONSIDERATIONS:

A. WE AGREE WITH DEPARTMENT'S ANALYSIS OF SITUATION AS SET FORTH IN PARAGRAPHS 2 THROUGH 7 OF
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REFTEL. WE ARE IN PARTICULAR AGREEMENT WITH PARAGRAPH

6 AND BELIEVE THAT ANY ALTERNATIVE TO CLEAN BREAK WOULD MERELY PROLONG THE AGONY. WE ARE ALSO INCLINED TO AGREE WITH POINT MADE IN PARAGRAPH 7 THAT AEROPERU MUST BE STRONGLY DEPENDENT ON SERVING U.S. IF IT IS EVENTUALLY TO BECOME VIABLE INTERNATIONAL AIRLINE, ALTHOUGH WE HAVE REASON TO BELIEVE THAT AEROPERU IS CONVINCED BRANIFF NEEDS LIMA MORE THAN AEROPERU NEEDS MIAMI. HOWEVER, THERE NO DOUBT THAT LOSS OF MIAMI WOULD BE A BLOW TO GOP, SINCE IT VALUES PRESTIGE OF OPERATING TO MAJOR WORLD CENTERS. FINALLY, WE AGREE THAT GOP POSITION HAS BEEN UNCOMPROMISING AND THAT NOTHING IN NEGOTIATIONS SO FAR SUGGESTS GOP WILL BE WILLING TO RELAX LIMITATIONS TO BE IMPOSED ON NUMBER OF FLIGHTS BETWEEN US AND PERU, ALTHOUGH WE DID THINK WE DETECTED FLEXIBILITY WITH REGARD TO FLIGHTS BEYOND LIMA.

B. US POSITION ASSUMES THAT BRANIFF, FOR REASONS OF ITS OPERATIONS ELSEWHERE, CANNOT ACCEPT PROVISIONS OF NEW GOP OPERATING PERMIT, AND THAT INTRANSIGENCE OF GOP POSITION APPARENTLY LEAVES BRANIFF NO ALTERNATIVE BUT SUSPENSION OF SERVICE. HOWEVER, BRANIFF HAS ALREADY MADE ARRANGEMENTS IN RECENT MONTHS FOR OVERFLYING PERU ON SOME ROUTES, AND PRESUMABLY COULD ADJUST TO REDUCED FREQUENCIES AND EVEN BLOCKED SPACE OR OTHER ARRANGEMENTS WITH AEROPERU ON FLIGHTS OVER AND ABOVE THE SEVEN OUT OF MIAMI ON WHICH GOP INSISTS. IN THIS CONNECTION, IT SHOULD BE RECALLED THAT OTHER AIRLINES HAVE "CAVED" TO GOP-IMPOSED LIMITATIONS; WHILE ALITALIA CLOSED ITS OPERATIONS HERE, CP AIR, AIR PANAMA, LAN CHILE, AIR FRANCE ET AL. HAVE CHOSEN TO REDUCE THEIR SERVICES. THE POINT OF FOREGOING CONSIDERATIONS IS THAT IF BRANIFF AGREES TO GO TO EXTENT OF SUSPENDING SERVICES, AND WE INTIMATE AS MUCH TO GOP, WE MUST BE PREPARED TO FOLLOW THROUGH AND NOT BACK DOWN AT LAST MINUTE SINCE THIS WOULD SERIOUSLY UNDERMINE US CREDIBILITY AND ENCOURAGE THOSE WHO MAY BE INCLINED TO REGARD US AS PAPER TIGER. THEREFORE, RECOGNIZING FINANCIAL CONSEQUENCES TO BRANIFF OF SUSPENSION, WE ARE MAKING IMPORTANT ASSUMPTION THAT BRANIFF WOULD NOT FALTER BUT WOULD CONTINUE TO ASSOCIATE ITSELF WITH SUCH A FIRM US POSITION.

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C. US POSITION MUST ALSO TAKE INTO ACCOUNT THAT BRANIFF HAS CONSIDERABLE MONEY INVESTED IN TOURIST FACILITIES IN PERU, AGAINST WHICH GOP MIGHT MOVE. ALSO US AND BRANIFF MUST RECOGNIZE THAT GOP WOULD REGARD SUSPENSION AS CHALLENGE AND THAT IT MIGHT BE SOME TIME BEFORE PERU WOULD BE WILLING TO REOPEN NEGOTIATIONS, MUCH LESS RENEW OPERATIONS. WHILE IT WOULD BE DIFFICULT FOR PERU

TO ADJUST TO AN IMMEDIATE LOSS OF BETTER THAN 40 PERCENT OF CAPACITY SERVING LIMA, IT COULD BE DONE, AND ONCE OUT FOR ANY LENGTH OF TIME BRANIFF MIGHT FIND IT DIFFICULT TO GET BACK IN.

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C O N F I D E N T I A L SECTION 2 OF 2 LIMA 10901

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D. US HAS OTHER, MORE IMPORTANT ECONOMIC INTERESTS IN PERU THAN BRANIFF. TOTAL US INVESTMENT AMOUNTS TO WELL OVER ONE BILLION DOLLARS, INCLUDING OIL COMPANIES, MARCONA MINING, AND SOUTHERN PERU COPPER CORPORATION. IPC PAYMENT HAS ALREADY UNSETTLED SPCC, WHICH APPARENTLY STILL HAS SOME FURTHER DETAILS TO WORK OUT ON THE CUAJONE PROJECT, AND WE UNDERSTAND PAYMENT MAY HAVE MADE IT MORE DIFFICULT FOR THOSE GOP OFFICIALS INTERESTED IN COMING TO TERMS WITH MARCONA. SUSPENSION OF FLIGHTS COULD MAKE POSITION THESE COMPANIES EVEN MORE DELICATE. HOWEVER, GOP TACTICS HAVE CONSISTENTLY BEEN TO WHITTLE AWAY AT US INTERESTS IN APPARENT BELIEF THAT US CONCERN WITH PROTECTING REMAINING INTERESTS WILL DETER IT FROM REACTING. RESPECT FOR US MAY HAVE DWINDLED SOMEWHAT AS A CONSEQUENCE OF THIS PROCESS. FIRM US POSITION ON CIVAIR ISSUE, HOWEVER, MAY NOT PLACE US INTERESTS IN MUCH MORE PRECARIOUS POSITION THAN THEY ALREADY FIND THEMSELVES IN AND COULD CONCEIVABLY HAVE SALUTARY EFFECT.

E. FINALLY, SUSPENSION OF ALL FLIGHTS WOULD PROBABLY BE REGARDED BY AT LEAST SOME ELEMENTS IN GOP AS YET ANOTHER ACTION ON PART USG DESIGNED TO "DESTABILIZE"

THE REVOLUTIONARY GOVERNMENT, COMING AS IT WOULD ON THE
HEELS OF PAYMENT OF GREENE SETTLEMENT PROCEEDS TO EXXON
FOR IPC. SUCH AN ACTION WOULD ALSO PRECEDE BY MATTER
OF WEEKS ACCESSION TO PRIME MINISTER OF GENERAL MORALES
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BERMUDEZ, WHO IS GENERALLY EXPECTED TO EXERT SOME
MODERATING INFLUENCE ON GOP AND MIGHT BRING ABOUT
GRADUAL IMPROVEMENT IN US/PERUVIAN RELATIONS. ON THE
OTHER HAND, IF WE ARE TO TAKE THIS STEP, IT IS PROBABLY
AS WELL TO DO SO BEFORE RATHER THAN AFTER HE TAKES OFFICE.

3. TAKING ALL THE FOREGOING FACTORS INTO ACCOUNT, WE
AGREE THAT, ON BALANCE, FINAL POSITION OF THREAT TO
SUSPEND ALL FLIGHTS MAY BE THE BEST GAMBIT TO GET THE
CIVIL AIR TALKS BACK ON A MORE REALISTIC BASIS AND OBTAIN
AT LEAST REASONABLE COMPLIANCE WITH THE EXISTING BILATERAL
AIR AGREEMENT. TAKING THIS STEP MAY SIMULTANEOUSLY INVOLVE
SOME LOSSES FOR US, POSSIBLY INCLUDING A FURTHER COOLING
IN RELATIONS, INCREASED DIFFICULTIES FOR US ECONOMIC
INTERESTS, AND NOT UNIMPORTANTLY HEAVY FINANCIAL
COSTS TO BRANIFF. THESE RISKS APPEAR MORE THAN BALANCED
BY CONSEQUENCES OF ACQUIESCING TO GOP IMPOSITION OF
OPERATING PERMIT WITHOUT REGARD TO PROVISIONS OF BILATERAL
CIVIL AVIATION AGREEMENT. IN LONG RUN, GIVING IT AT THIS
STAGE MIGHT PROVE EVEN MORE COSTLY TO US ECONOMIC
INTERESTS IN GENERAL AND TO BRANIFF IN PARTICULAR.

4. AS A MATTER OF NEGOTIATING TACTICS BUT MORE IMPORTANTLY
TO PRESERVE OUR RECORD OF GOOD FAITH IN NEGOTIATIONS, WE
CONSIDER IT ESSENTIAL TO LET THE GOP KNOW FROM THE START
THAT WE ARE PREPARED TO SUSPEND SERVICES IF THIS IS
UNAVOIDABLE. APPROACH MIGHT BE FOR DELEGATION CHAIRMAN
TO SO INFORM PERUVIAN COUNTERPART PRIVATELY AND INFOR-
MALLY, ASKING HIS HELP IN ARRIVING AT A NEGOTIATED
SOLUTION IN BEST INTEREST OF BOTH COUNTRIES.
BARNEBEY

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